

## Working Connections Child Care Caseload Changes, 2002 to 2004

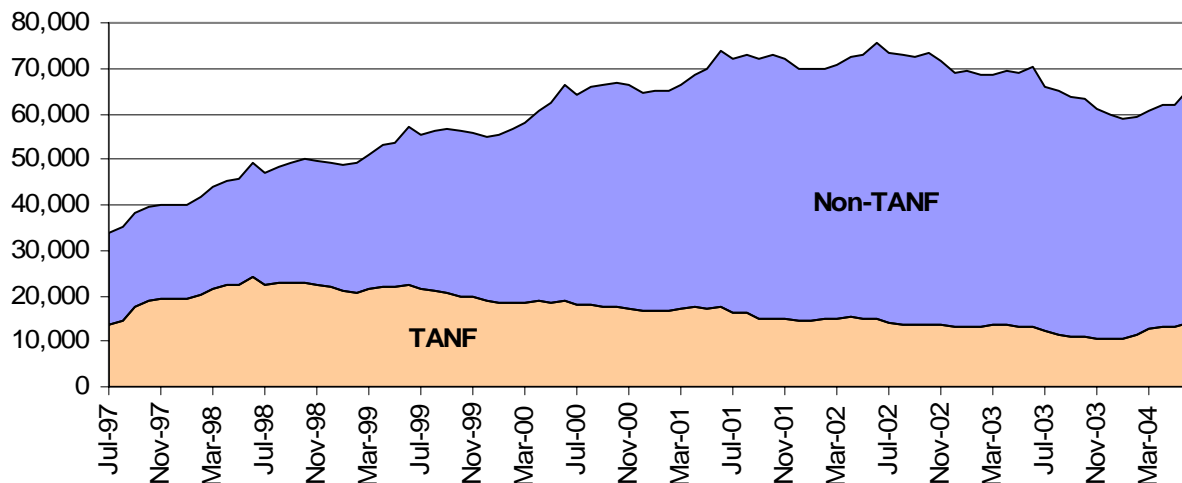
**Summary:** In March 2003, large budget shortfalls led to cuts in the child care subsidy program affecting co-pays for many families. Over the next six months the number of children served in the child care subsidy program declined significantly. It was thought that the decline was caused either by the March 2003 co-pay changes or by service delivery problems. It now appears that policy changes in rules affecting criminal background checks of unlicensed, "exempt" providers were the cause of most of the caseload decline. The drop in the number of children served in the subsidy child care program in 2003/2004 is almost entirely attributable to a decline in the number of children cared for by providers exempt from licensing requirements.

In the spring of 2003, two major changes were made in the child care subsidy program in an effort to cut costs: the monthly co-pay for about two-thirds of all families using subsidized child care was raised by \$25 per month; and the non-standard hour bonus paid to providers offering off-hour care was eliminated. These two changes were projected to reduce child care costs by about \$30 million per year.

It was predicted that the co-pay change would save about \$24 million a year, with much of that savings due to families leaving the subsidy program. Caseload data was therefore tracked very closely to see the impact of the March 2003 cuts. It was expected that after a dip in March to June of 2003, the caseload would stabilize. The decline in the caseload through the end of 2003, led to concern that other issues such as call center wait times, service delivery problems, and delays in processing background checks were affecting the child care caseload.

Figure 1 displays the caseload for Working Connections from July 1997 to June 2004. The graph clearly shows that growth in Washington State's child care subsidy program was due to an increase in the number of non-TANF low-income families using the program. The caseload shows a striking seasonal pattern, with a jump in June of each year and an overall increase from July 1997 through July 2002.

**Figure 1. Number of Children Served in Working Connections by TANF Status**

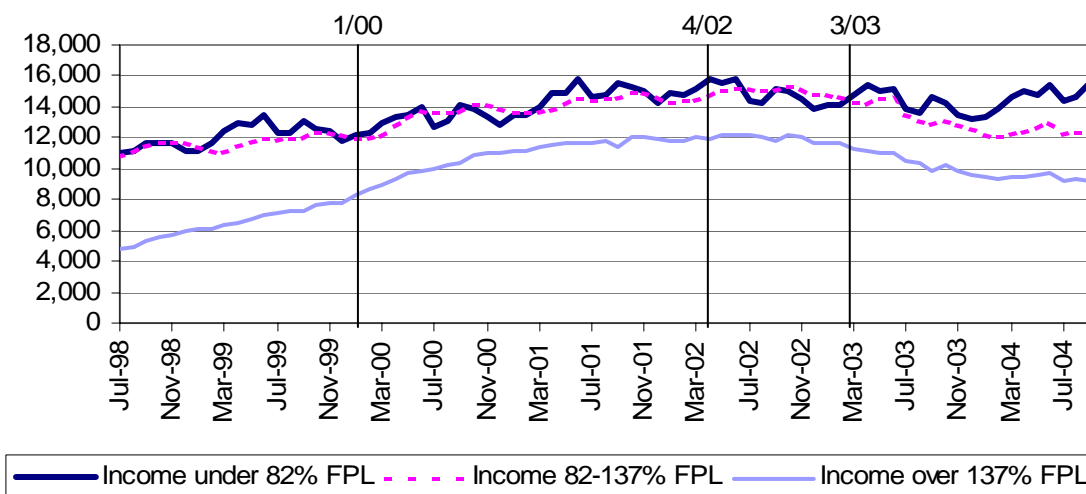


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From looking at Figure 1 it is clear that caseload growth stopped prior to March 2003, but that there was a big drop in the caseload after that time. Initially, the co-pay changes of March 2003 were thought to have played a major role in the caseload decline in the summer and fall of 2003. Since the co-pay changes affected families differently depending on their income, the caseload growth over time was examined for families in three income categories.

Figure 2 displays estimates of the number of families served by their income category along with lines marking the three major co-pay changes. By looking at each of the three major co-pay and eligibility changes, it is possible to review the impact of co-pay and eligibility changes for families with different income levels. Since July 1998, there have been three major co-pay and eligibility changes in the child care subsidy program: (1) January 2000, eligibility ceiling raised from 175% FPL (adjusted) to 225% FPL (unadjusted) and co-pays reduced for many families; (2) April 2002, eligibility limits decreased to 200% FPL and co-pays raised by \$5 per month for all families; and (3) March 2003, co-pays for all families with incomes over 82% of FPL increased by \$25 per month.

**Figure 2. Number of Families Served in Working Connections by Income Level, July 1998 – September 2004**



FPL = Federal Poverty Level

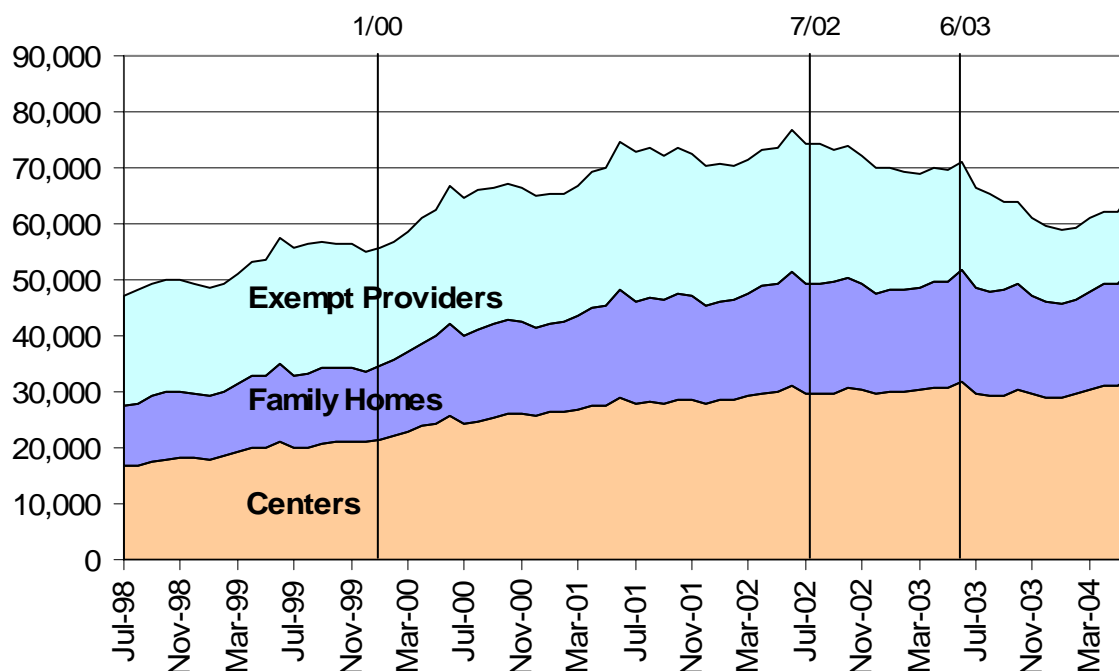
Looking at the information in Figure 2, the January 2000 changes appear to have been associated with caseload growth, especially for the highest income group most affected by the co-pay changes. Turning next to the April 2002 co-pay and eligibility changes, the caseload for all groups appears to have declined slightly following that change. And last, following the March 2003 change, there was a drop in the caseload through the end of 2003 for all income groups even though the lowest income group with incomes under 82% of the FPL experienced no change in their co-pay.

Focus on the impact of the March 2003 co-pay changes overshadowed consideration of the impact of policy changes made in the area of exempt care on the child care caseload. Exempt care refers to child care exempt from licensing: child care provided in the child's own home or care in the home of a relative.

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Starting in January 2000 criminal background checks were required for all exempt providers. During the time period of interest, there were two additional policy changes affecting the use of exempt providers. First, in July 2002, for children being cared for in the home of a relative, criminal background checks were required for any individuals sixteen years of age or older living in the relative's home. Next, in June 2003, background checks had to be cleared prior to the start date for any subsidy payments, ending the practice of paying for past care as soon as a background check cleared. Figure 3 displays the use of various types of care over this time period, with lines marking these major policy changes.

**Figure 3. Children Served in Working Connections by Type of Provider, July 1998 – June 2004**



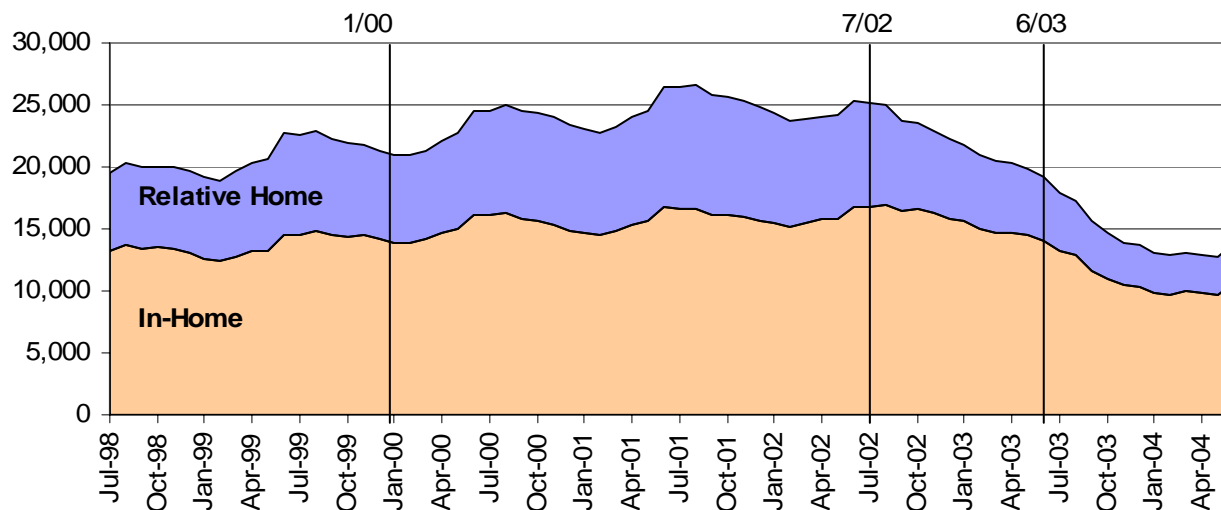
Focusing first on the number of children using licensed providers, Figure 3 shows that after rising until 2002 the number of children using licensed care has remained stable. The case for exempt care is quite different, with a decrease following the July 2002 change and an even greater drop in the use of exempt care following the June 2003 policy changes. The drop in the child care caseload for the period 2002 through 2003 is largely attributable to the decline in the use of exempt care.

Since the July 2002 policy change only affected relative exempt providers, the type of exempt provider used was examined. Figure 4, displays the use of exempt providers broken down by whether the care was provided in the child's own home or in the home of a relative. That figure shows that the July 2002 change did not affect the use of in-home exempt care. Keep in mind that because of the practice of back-dating of approvals, the July 2002 change shows up in payments made for exempt relative care starting a few months prior to July 2002.

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The next change in June 2003 ended the practice of back-dating of approvals for payment once criminal background checks were cleared. If an eligible family wants to use an exempt provider, DSHS no longer pays for any child care services that pre-date when the criminal background check is completed and cleared. This policy had a large impact on the use of both in-home and relative providers. Because it ended the practice of retroactively approving payment once background checks were cleared, the impact of the policy change again affected payments for a couple months prior to June 2003.

**Figure 4. Children Served in Working Connections Child Care by Type of Exempt Provider, July 1998 – June 2004**



Additional analyses were done that are not presented in this report. Caseload changes were examined by Region, income category, and age of child with few observed difference. Almost half the children cared for by exempt providers are school-age children (44 percent), yet it appears the policy changes led to a greater decline in the use of exempt care by infants and toddlers than it did for older children. Also, higher income families are less likely to use exempt care and their use of such care was less affected by the policy changes. Prior to any policies requiring background checks for exempt providers, Hispanics, Asians, and Native Americans used exempt care at higher rates than did Caucasians. The impact of the most recent changes in July 2002 and June 2003 on the use of exempt care for the two largest ethnic groups (Hispanics and African Americans) appears to be similar to that for Caucasians; however, both Asians and Native Americans continue to use exempt care at a higher rate than Caucasians.